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Powering Michigan Forward:
A Diversified, Balanced Plan to Boost Growth and Job Creation

I appreciate the invitation to join you at this important conference here in Big Rapids – a community that was once known as the “Water Power City.” A little known fact, renewable hydropower from the Muskegon River was the key to growth in this area in the early part of the 20th century.¹

What I love about Ferris is that it is a place where common sense reigns. This is where students come who want to get a real job in the real world – whether it’s in pharmacy, optometry or plastics or dozens of other professions from health care to golf course management, Ferris doesn’t chase trendy fads or fashions.

In contrast, we might consider a recent effort at promoting energy efficiency – called Earth Hour, this initiative urged people around the world to turn off their lights for one hour on a Saturday evening. Google even picked up the idea and for that hour, Google actually went black. No, they didn’t turn the website off; they simply turned the background for their familiar homepage from white to black.

Clever marketing, you might think, and you might even assume – as some did – that using a black background might consume less energy than a white one. Well, you would be wrong. In fact, with flat panel LCD displays, energy use is about the same, if not more, with a black as opposed to a white background. Google has actually admitted this.²

I raise this topic to illustrate an important point—Michigan can’t afford to waste time or energy chasing the latest trendy idea. We need to stay grounded on scientific fact and economic reality with a dose of Midwestern common sense. For example, we have been hearing lately that revving up the renewable energy industry is the key to turning Michigan’s economy around.³

¹Dr. Richard Santer, Historical Overview of the City of Big Rapids, <http://www.ci.big-rapids.mi.us/santeroverview.aspx>

²<http://googleblog.blogspot.com/2007/08/is-black-new-green.html>, “We applaud the spirit of the idea, but our own analysis as well as that of others shows that making the Google homepage black will not reduce energy consumption. To the contrary, on flat-panel monitors (already estimated to be 75% of the market), displaying black may actually *increase* energy usage.”

³“Granholm Says Wind Energy Will Spur Diversification, Job Growth,” <http://www.michigan.gov/som/0,1607,7-192-29940-175808--,00.html>

What I would argue is just the opposite – turning Michigan’s business environment around is the key to revving up the renewable energy industry.

- Turning Michigan’s business environment around means making the tough decisions to reduce spending and taxes, lowering the barrier to investment and job creation.
- Turning Michigan’s business environment around means clear and timely regulations that reduce uncertainty, so companies can make decisions knowing the goalposts won’t be moved in the middle of the game.
- Turning Michigan’s business environment around means building on the strengths of industries like automaking and furniture building that already call Michigan home, while we also seek out new business opportunities.
- Turning Michigan’s business environment around means looking for ways to reduce electric bills for families and job providers instead of raising them.
- Turning Michigan’s business environment around means fixing our roads so that people can make it to work and our Michigan manufactured products can make it to market.
- Turning Michigan’s business environment around means making sure employers can find skilled employees – like the graduates of this fine university.
- Turning Michigan around means focusing on economic development fundamentals, just like you focus on fundamentals here at Ferris.

What’s fundamental to the health of Michigan’s economy is the health of the auto industry. What is also fundamental, however, to our quality of life, is the incredible natural environment that God has blessed us with – especially the Great Lakes. The challenge we face is being good stewards of both our economy and our ecology. Both are critical to meeting basic human needs.

Energy policy is one key way in which these dual stewardship roles are linked. For example, some folks in Washington seem willing to sacrifice the health of our Michigan-based automakers for the sake of improving fuel economy.⁴ Certainly, we need to reduce our dependence on oil in general and foreign oil specifically. But in so doing, we must not put the U.S.-based auto industry and the thousands of jobs they provide at a competitive disadvantage.

⁴ “Obama’s Logic Wrong, Dingell Says,” <http://blogs.wsj.com/washwire/2007/05/14/obamas-detroit-logic-wrong-dingell-says/?mod=WSJBlog>

In my view, this is where a long term, sound energy policy can play a critical role. Based on what we know today, one of the best ways to achieve freedom from foreign oil is through conversion of our current transportation system based on oil to one based much more on electricity. Figuring out how to generate the needed supply of electricity will take a combination of market forces and regulatory oversight so that we never lose focus on our basic commitment to our dual stewardship responsibilities.

To be wise stewards, however, requires an understanding of some basic realities. First and foremost is the fact that energy use tracks economic growth, period.⁵ Certainly, we can be more efficient about how we use energy, and we are getting more efficient each and every day, but over the long term, energy consumption will rise along with economic output.⁶

We don't need to be ashamed to use more energy per capita – especially if that energy is powering growth, prosperity and improving living standards for families – as long we strike a common sense balance of efficient energy production, smart conservation and wise environmental stewardship. As Peter Huber and Mark Mills explain in their book, *The Bottomless Well*:

...when radically more efficient technologies do emerge, they are quickly embraced by paying customers without any need for government mandates – embraced not just to displace old ways of doing things, but to do all sorts of new things that previously hadn't been done at all. Which means, at the very least, that rising efficiency certainly does not guarantee falling energy consumption. Through all of technological history on record so far, it has had just the opposite effect.⁷

The cost of energy, whether it's electricity to power factories or petroleum feedstocks to make products -- drives decisions about where new facilities are built or existing ones are expanded. Conversely, the cost of energy drives decisions about where plants are scaled back or even shuttered. Whether in Detroit or Dubai, the cost of energy is a key driver in investment decisions.

Consider the second largest chemical company in the world – Dow – a more than \$50 billion enterprise with customers in 160 countries, but headquartered for more than 110 years right here in Michigan. Over the past five years, energy costs at Dow have more than tripled to

⁵ “Industry Overview and Statistics,” Edison Electric Institute, http://www.eei.org/industry_issues/industry_overview_and_statistics/Electricity_101.pdf

⁶ “Energy Use Per Capita and Per Dollar of Gross Domestic Product,” U.S. Energy Information Administration, 1980-2030 <http://www.eia.doe.gov/oiaf/aeo/ppt/fig004.ppt>

⁷ Peter Huber, Mark Mills, “The Bottomless Well: The Twilight of Fuel, the Virtue of Waste and Why We Will Never Run Out of Energy,” Basic Books, 2005

about half of all production and operation costs.⁸ In fact, in the fourth quarter of 2007 alone, energy costs rose \$1.7 billion—a more than 30 percent increase—over the previous year.⁹

I raise the example of Dow because it represents a good example of how corporations revise their strategies in response to changes in market conditions. Dow has pursued a number of joint ventures, especially in the Middle East, where energy costs are low, to insulate the firm against fluctuations in the cost of critical feedstocks such as natural gas. To put it simply, Dow is doing what it must do to keep their costs low ... so why aren't we creating a cost environment right here in Michigan that helps keep them closer to home?

There's a lesson here for Michigan and tough questions we must answer. What is our strategy to respond to the challenges of the loss of manufacturing jobs, the mortgage meltdown and continued upward pressure on energy prices? Are we becoming more entrepreneurial or less? Are we going to do what is needed to become more competitive or are we going to fall further behind at the expense of jobs and the people who still want to live and work in Michigan?

My message to you this evening is that a sound energy policy for Michigan is critical to answering these questions and powering our economy forward. That's why it is so important that we take a step back at the State Capitol and not rush into a risky, untested approach that stifles competition, reduces consumer protection and replaces market forces with monopoly power. The end result will clearly be higher costs than other state competitors and even higher unemployment.

A sound energy approach must also be balanced. By balanced I mean that in addition to a proper balance between market dynamics and enlightened regulation, we need a balanced mix of traditional energy sources such as coal, natural gas, and nuclear – as well as renewable supplies such as wind, solar and biomass.

A sound energy approach must get regulations right for the long term. The right regulatory policy is also critical when it comes to addressing the fast approaching need to replace our aging generation plants with new, more efficient, more environmentally-friendly facilities. If we get the regulations right, this can be a big win-win for Michigan – clean, reliable energy that powers industries and homes while making sure the environment is protected.

A sound energy policy will give investors the assurance that Michigan is a place where their investments will provide a stable, reasonable return over time. We can learn from other states whose policies were poorly designed and shortsighted.

⁸ “As Energy Prices Soar, U.S. Industries Soar,” http://online.wsj.com/public/article/SB119152216982649126-xT32hjsQXMurqsELGzssnPBvgvs_20071207.html

⁹ <http://www.dow.com/financial/reports/07q4sum.htm>

Then we'll beat them in the race for new investment and new jobs while at the same time giving home grown businesses the benefit of competitive energy prices.

So to understand the competitive market we face nationally, we need to step back and look at projections for the demand and costs of electricity over the next two decades as well as how various states have responded so far. The U.S. Energy Information Agency projects that sales of electricity will rise 40 percent by 2030. At the same time, they project the cost of electricity in real terms will remain stable. However, the mix of fuels used to generate electricity will change, with the share generated by coal rising fairly dramatically from around 50 percent to 57 percent.

The share produced by nuclear plants and natural gas is expected to fall, while renewable sources, including hydropower, will remain fairly stable at around 9 percent. Excluding hydropower, electricity generated from other renewables will more than double to over 200 billion kilowatt hours. However, that's still a tiny portion (less than 4%) of overall projected consumption of more than 5500 billion kilowatt hours.¹⁰

In contrast to national projections, the demand for electricity in Michigan is currently pegged at 0.5 percent load growth with a reduction in peak demand, both reflections of our struggling economy. But we do need to plan now for replacement of aging generation facilities, many of which are approaching the end of their planned life cycle.

Such investments don't happen overnight, and making sure our baseload needs are covered is critically important. Capital must be arranged, suitable sites found, environmental permits must be secured; and these steps all take time, let alone actual construction. Therefore, our regulatory policy should also allow competitively priced electricity to flow into the state as needed in order to smooth out any gaps and assure reliability.

In Texas, for example, restructuring and competition now give electric customers the choice of 28 different providers and 100 different rate plans. The result? Stable prices, reliable supply and \$20 billion invested in new generation with another \$25 billion announced or under construction. All of this with no guarantees from ratepayers or taxpayers. They only need to pay for what they use.¹¹

Over the last decade, Texas was one of 26 states that moved to deregulate to some extent the retail electricity market in order to boost competition and drive down prices. Not all of them got it right. About a half dozen of those states have repealed, suspended or delayed deregulation because of flaws in their approach. One example of this is California. Remember the rolling

¹⁰ "Annual Energy Outlook 2007 with Projections to 2030" U.S. Energy Information Administration

¹¹ "Texas Electric Meter, Measuring the Effects of Electricity Deregulation," Texas Public Policy Foundation, March 2008, <http://www.texaspolicy.com/pdf/2008-03-RR02-ElectricMeter-proof.pdf>

brown outs and black outs that ultimately led to the bankruptcies of major utilities and the recall of Governor Gray Davis? There is a common misperception that deregulation, as a policy, was the cause of the crisis. But in fact what caused the crisis was not deregulation – but bad policy. It was a flawed market design put in place by their legislature and Governor that ultimately caused their problems. In short – the politicians got it wrong.¹²

In stark contrast to California and other states, Michigan seems to have gotten the regulatory policy right. In the 1990s, there were consistent complaints from businesses and economic development agencies that the high cost of electricity was a barrier to investment and job creation. In response, the Governor developed a comprehensive strategy with all players at the table, creating a system that allowed electric choice for those who wanted it, but also protection for those who didn't.

With the passage of PA 141 in 2000, customers were allowed to choose between incumbent suppliers such as DTE and Consumer's Energy and among alternative electrical suppliers. At the same time, the Michigan Public Service Commission was empowered to ensure the continuing financial health of the incumbent utilities, allowing them to refinance or "securitize" their debt, as well as receive stranded costs. Michigan law *did not* require divestiture of generating plants, as most deregulated states did. And we left power purchase decisions to the utilities, with the appropriate regulatory oversight. In short, we fashioned a law that was the best of both worlds – adding in competition, with the corresponding continuation of reasonable protections and regulations. In fact, the incumbent utilities have done very well as a result of PA 141 because Governor Engler thought it important that the end result not be the creation of an OHIO Detroit Edison.

So far, the results in Michigan show that from 2000 to 2007, Michigan rates for residential, industrial and commercial customers rose less than the U.S. as a whole, less than the region, less than restructured states, less than regulated states and less than the 10 largest states.¹³ The bottom line is that competition and Michigan's unique framework, worked. Public schools have saved \$22 million. Spartan Stores saved a half million dollars annually. Right here at Ferris, the savings generated by electric choice are helping to keep down increases in tuition. Overall, our national competitive position has improved significantly.¹⁴

At the same time, the big incumbent utilities were forced to focus on costs and become more efficient. And new power plants are being planned in both Rogers City and Midland by new players. PA 141 is working exactly the way it was expected to work.

¹² <http://www.ferc.gov/industries/electric/indus-act/wec/enron/summary-findings.pdf>

¹³ <http://www.customerchoicecoalition.org/pdfs/ResidentialElecRates0308.pdf>;

<http://www.customerchoicecoalition.org/pdfs/CommericalElecRates0308.pdf>;

<http://www.customerchoicecoalition.org/pdfs/IndustrialElecRates0308.pdf>

¹⁴ <http://www.customerchoicecoalition.org/pdfs/March3ReleaseFinal.pdf>

However, PA 141 could be improved. For example, initially, Marathon Oil in Detroit saved about \$1 million annually, helping them make a \$300 million decision to expand their refinery a few years ago. But subsequent regulatory decisions have substantially raised Marathon's electric bill, not only wiping out the savings but raising their costs by \$2 million. Despite this setback, we're grateful that Marathon was unwilling to turn its back on Detroit and on Michigan, so they are still moving ahead with a new \$1.5 billion expansion.

Marathon did right by Michigan, but we cannot continue to plan on corporate loyalty to bail out flawed policy. We need to learn from this example to improve our regulatory policy to be even more encouraging for existing companies to grow in Michigan and new companies to locate in Michigan.

Now, instead of improving electric choice, monopoly interests in our State Capitol are focused on repealing PA 141 and tying that repeal to a forced expansion of renewable electricity generation. In my view, the result of this campaign will be that homeowners, small businesses and industrial firms will be forced to pay higher prices for electricity. Backers claim the benefits will be twofold – reducing emissions of greenhouse gases and giving a boost to the renewable energy industry in Michigan. But while the goals are the right ones, the policy won't achieve either. The mandates won't work and the timeframe is unrealistic.

So the first action I would recommend is separating the two issues. There is no reason to connect reforming or improving PA 141 to encouraging renewables in Michigan. They are two distinct issues that can, and should, be dealt with separately.

The special interests who support gutting electric choice very cleverly call their plan the "renewable energy package" so that those who might oppose the return to monopoly status can be branded as opponents of renewable energy. But I think a better name for this scheme is the "Lights Out for Michigan" plan. Why? Because rate increases, monopoly power, costly regulations and the potential loss of reliability threaten Michigan's economic recovery.

To be sure, renewables bring great potential nationwide, but Michigan is no better than average overall and appears to be less than average.¹⁵ For example, solar power would require a 56 percent subsidy to break even in Michigan.¹⁶ On the other hand, while the potential capacity for wind generated electricity is high in Michigan – 14th in the nation – most of that potential is offshore, creating environmental and aesthetic concerns.¹⁷

¹⁵ http://www.pewclimate.org/what_s_being_done/in_the_states/nrel_renewables_maps.cfm

¹⁶ http://masstech.org/renewableenergy/public_policy/DG/resources/2006-topline-MA-solar-economic-states.pdf

¹⁷ http://www.awea.org/pubs/factsheets/Top_20_States.pdf

Moreover, I would note that where regulatory and zoning hurdles have been overcome, wind energy projects are already moving forward in Michigan without gutting PA 141. Just a few weeks ago, the Harvest Wind Farm in the Thumb, with 32 turbines fully powered up, has the potential to generate nearly 53 megawatts of power.¹⁸ Other wind projects in the Thumb are also getting underway, but only after years of cutting through red tape...mostly at the local level. And these are projects on land, not near the shore or miles out in the Great Lakes.

This reality makes it clear that creating a mandate for renewable power isn't needed to spur investment and expansion of wind generated power. Currently, there are already 3,000 megawatts of power on the drawing board. It's already happening.¹⁹

I should also note that when it comes to energy, we must have the flexibility to change our views over time. As knowledge and technology develop, we must have the regulatory flexibility to reevaluate and adapt to change. The continued advancement of humanity requires constant reevaluation. Otherwise, our opportunities for progress will be limited.

For example, in the past, many viewed nuclear power as presenting too much risk. Other countries, especially in Europe, took a different course, such as France, where more than three quarters of their electricity is generated by nuclear power. So I think it is time to reevaluate the previous assessment of nuclear power. Consider these facts:

- If all the electricity you used in your lifetime were generated by nuclear power, the resulting waste could fit in a Coke can. You could power New York City for a year and the waste would fit in a small two bedroom apartment.
- Nuclear generation of electricity during its entire life cycle, including mining, is virtually emissions free.
- Coal burning power plants emit more uranium than the total used by every nuclear reactor in the U.S.
- More and more, environmentalists who want to do something about global warming are coming to the realization that nuclear power must be a part of the solution. That includes Al Gore and many others.²⁰

It may not be considered "renewable" by some, but nuclear energy needs to be reconsidered. We have to face facts. Renewables are an exciting development and do have a role in a balanced energy portfolio, but so do coal and nuclear, despite their respective drawbacks. The need for reliable, affordable electricity is far too critical. Moreover, a diverse portfolio mix with diverse players promotes stability and long-term growth.

¹⁸ <http://www.freep.com/apps/pbcs.dll/article?AID=/20080320/NEWS05/803200441/1007/NEWS05>

¹⁹ http://www.mlive.com/environment/index.ssf/2008/03/proposed_boost_to_michigans_wi.html

²⁰ Gwyneth Cravens, "Power to Save the World: The Truth About Nuclear Energy," Alfred A. Knopf, 2007

Certainly, if any state is seeking stability and long-term growth, it's Michigan. We still have the worst unemployment rate in the nation. Business costs and the regulatory burden continue to climb. One third of manufacturing jobs have left. Union membership continues to plummet. And as I noted earlier, projections of electric demand growth are shrinking, and peak demand is expected to decline through 2016.

Plus, our current base load plants are aging and Michigan needs to send a signal to investors that choosing to build or replace generation capacity in our state is a decision that will pay off. So, Michigan is confronting a policy choice. The Governor says our state is an "energy backwater" but the facts show she is wrong...and so is her proposed plan.²¹

Frankly, I think her "Lights Out Plan" could short circuit Michigan's struggling economy. By re-monopolizing the electricity sector, her plan hands control of all Michigan electric energy to the incumbent utilities. Worse, it removes many of the rate protections that the Public Service Commission currently provides.

For starters, limiting choice will raise costs for nearly 5,000 businesses currently benefiting from choice. It also eliminates the incentive for the big guys to be efficient and reliable. Customers will be captive, so why should they care?

Now, the wonderful sounding centerpiece of the "Lights Out Plan" is the Renewable Portfolio Standard (RPS) – a mandate that 10 percent of electric power generated in Michigan by 2010 be from renewable sources, working toward a goal of 25 percent renewable electricity by 2025. While I applaud the goal of increasing renewable energy production in Michigan, this is simply not attainable.

In recent testimony at the State Capitol, Attorney General Mike Cox explained in detail the multi-billion dollar hidden tax associated with the RPS due to the fact that renewable energy is far more expensive. Our AG deserves credit for shining a light on this attempt to force through the biggest hidden tax hike in Michigan history.²²

I don't need to repeat the Attorney General's arguments, but I would like to add my own concerns. For example, the "Lights Out Plan" puts the incumbent utilities in charge of spending \$6 billion extracted from ratepayers to subsidize their own potentially inefficient renewable energy projects. I understand these companies know how to run traditional power plants, but are they the best to run wind turbines or solar cells or biogas? It's not their core competency and others out there may be much better.

²¹ <http://www.freep.com/apps/pbcs.dll/article?AID=/20080226/NEWS06/80226028/1008/NEWS06>

²² "Electric Energy Changes to Hike Rates \$2 Billion to \$2.8 Billion," http://www.michigan.gov/ag/0,1607,7-164-46849_47203-187367--,00.html

And instead of an open, competitive bid process that would invite the best firms to apply, this approach tells renewable energy companies – and conventional ones as well -- that Michigan is closed to them and any investment they wanted to make. Instead of reducing and spreading risk, this plan increases and concentrates risk, raising the specter that Michigan might not be able to meet even its baseload needs as aging plant eventually go offline.

Moreover, there are significant issues that are not even being dealt with, such as the need for additional transmission capacity to support renewables. Because if you think about it, places where wind is a viable energy source are usually remote, far away from existing transmission lines. But despite that fact, by all accounts, Michigan's transmission needs continue to be an after thought, if it's a thought at all.

A 2006 MPSC report said the existing grid would be insufficient to meet reliability standards by next year. I guess the good news is that the MPSC is now studying the cost of upgrading this critical infrastructure.²³ The bad news? In the words of USA Today, "a wind farm can be built in 18 months, while a transmission line can take five to 10 years."²⁴

In addition to these grave concerns, what really makes me worry is the widely peddled notion that the Renewable Portfolio Standard is an economic development tool. The logic here is that just having an RPS will encourage firms that build wind turbines and other equipment related to renewable energy to locate in Michigan.

But let's remember, we know that such investment decisions are made based on economic fundamentals – certainly the cost of energy but also the skill level of the labor force, the regulatory climate, the tax burden, transportation infrastructure, and other factors. If an RPS is on this list, I've never heard of it, nor does it make any sense to put it on the list. In fact, it is more likely that an RPS would be listed on the CON side of the economic development agenda than on the PRO side.

An RPS mandate might actually cause job losses, not gains. It's certainly possible because nobody is guaranteeing anything – not one job. Let me repeat that. There is no guarantee the proposed RPS will generate even one job – not one. Six billion dollars, no guarantees. Something about this deal just doesn't smell right. Further, we should learn from Germany's experience in which recent studies have estimated that the net employment impact of

²³ "Proposed Boost to Michigan's Wind Power Faces Hurdles,
http://www.mlive.com/environment/index.ssf/2008/03/proposed_boost_to_michigans_wi.html

²⁴ "Wind Energy Confronts Shortage of Transmission Lines,"
http://www.usatoday.com/money/industries/energy/environment/2008-02-25-wind-power-transmission_N.htm

renewable energy technologies such as wind and solar may actually be negative.²⁵ Moreover, in the solar industry, subsidies per job are estimated to be more than \$300,000.²⁶

I might feel differently if other states were adopting this approach, but no one is putting all their eggs in one basket like supporters of the “Lights Out Plan.” Again, let’s look at Texas. They excel in wind energy because they have a lot of it – both on land and offshore – but also because they have a competitive market structure. Policy makers in Texas understand that overly prescriptive mandates can backfire and actually hamper renewable growth.²⁷

Most importantly, in Texas, they took their time with an extensive integrated resource planning process that brought all the players to the table. They made sure their transmission infrastructure was sufficient to support new renewables – causing a tremendous growth in transmission planning. They didn’t scale back competition, decrease consumer protections and otherwise rush to judgment the way some in Lansing want to.

That’s why I am very pleased with the deliberate and thoughtful approach that Sen. Bruce Patterson, Chair of the Energy Policy and Public Utilities Committee, is pursuing by tackling these complicated issues one by one over the next few months.²⁸ I have full confidence that Senator Patterson appreciates the need to balance these important energy issues and create a fair, sustainable, environmentally responsible, long-term energy policy that will work for Michigan today and well into the future.

In addition, I should note that Texas and Massachusetts were recently chosen by the Department of Energy to be the site for two large wind turbine testing labs.²⁹ Wind turbine production facilities and other suppliers will want to locate near these facilities. Michigan didn’t even bother to apply even though a key criterion was access to water.

Bottom line – as the biggest hidden tax hike in Michigan history, the “Lights Out Plan” hurts Michigan’s ability to compete for investment and jobs and replaces real environmental progress with empty platitudes.

²⁵ http://www.rwi-essen.de/pls/portal30/docs/FOLDER/PUBLIKATIONEN/RUHRECPAP/REP040/REP_08_040.PDF

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http://www.theglobeandmail.com/servlet/Page/document/v5/content/subscribe?user_URL=http://www.theglobeandmail.com%2Fservlet%2Fstory%2FLAC.20080322.RCOVER22%2Fstory%2F%3Fquery%3Dgermany%2Bsolar&ord=64948950&brand=theglobeandmail&force_login=true

²⁷Mike Sloan, “The Texas RPS, Gusher, dry hole – or both,” Renewable Energy World, 2005, Vol 8; No. 1, pages 30-41

²⁸“Energy Bills must pass Checkpoint,”

<http://www.freep.com/apps/pbcs.dll/article?AID=/20080224/COL06/802240688>

²⁹ “Large Wind Turbine Blade Test Facilities to be in Massachusetts, Texas,”

<http://www.nrel.gov/news/press/2007/519.html>

So far, I've talked a great deal about what's wrong with the "Lights Out Plan." Turning the page, what should Michigan be doing?

Here is a framework that provides the structure for a sound energy policy that also allows the flexibility needed to adjust as markets and technology change.

- Create an environment conducive to investment. Investors aren't afraid of risk, but they are afraid of uncertainty. Rules must be clear, simple and consistent.
 - Develop an independent, integrated assessment and planning process to estimate Michigan's power needs for the next quarter century.
 - Make replacement of aging power generation facilities a priority.
 - Set a level playing field so all sources and suppliers of energy can compete without picking winners and losers.
 - Protect and continue to expand customer choice.
 - Include creative ideas such as renaissance energy zones like the Great Lakes Energy Research Park. These instruments should be available to all interested parties and not controlled by the incumbent utilities.
 - Offer tax credits to encourage development of clean and renewable energy plants.
 - Provide tax credits for investments in energy efficient equipment, construction of energy efficient buildings or retrofitting of old buildings to improve energy efficiency.
 - Provide incentives for utility companies to purchase electricity from clean sources.
 - Require a competitive bid process for new power plants without burdening ratepayers for unneeded capacity, poor management decisions, faulty planning and cost overruns.
 - Streamline the regulatory process, especially for renewable and clean power projects.
 - Target renewable energy companies for tax incentives and other inducements to locate their manufacturing in Michigan.
 - Implement a proactive transmission infrastructure policy to encourage renewable investment.
 - Set clear, realistic and attainable goals for renewable power, not mandates.
 - Push Washington to address waste storage issues and to encourage development of clean, reliable nuclear capacity.
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- Include net metering without restrictions on size so that individual homeowners, businesses and farmers have an incentive to invest in technologies to generate electricity they can sell back to the grid.
 - Do not rely on public funding.

- And finally, continue to create a diversified portfolio that reduces dependence on expensive “peak load” power sources while allowing for competitively priced power to flow into the state as needed.

The key point to remember here is that by increasing competition – whether it is through new generating plants here in Michigan, through added supply in the wholesale market, or through the contribution of various economically sustainable renewable projects across the grid – prices will come down. But prices won’t come down if we limit choice, remonopolize the marketplace and force unrealistic and expensive mandates.

As you know, I remain skeptical of our current administration’s direction and their ability to execute a plan. But in that regard, I am in good company. A recent poll revealed that 86 percent of our fellow citizens think our state is on the wrong track.

But despite that and despite all the challenges we have talked about, I remain optimistic about Michigan’s long term future in we make the right moves over the next 5 to 10 years. Given our strengths, Michigan has tremendous potential, and we will get back on our feet!

Companies like Dow Chemical are meeting a global challenge and winning awards for being one of America’s best corporate citizens. Steelcase is a world leader in environmental stewardship and sustainability. And for my part, I am very proud of how companies that I am intimately involved with, like Alticor and Windquest, are committed to green manufacturing.

Detroit based automakers are racing to develop hybrids and hydrogen vehicles. The brainpower, engineering and design capability and auto making skill of Michigan workers are second to none, and for that, we should all be very proud!

We can look for inspiration to a story of a young man who began his career as an engineer with the company that later become Detroit Edison.³⁰ Back in the 1890s, this young engineer had been toiling for some time on his own invention when he was inspired by Thomas Edison who looked him in the eye and told him the concept he was working on was right.

Later, he recalled how much the great inventor’s approval had meant to him when he told a newspaper:

No man up to then had given me any encouragement. I had hoped that I was headed right. Sometimes I knew that I was, sometimes I only wondered, but here, all at once and out of a clear sky, the greatest inventive genius in the world had given me complete approval.

³⁰ “Henry Ford and Thomas Edison – Friendship of Giants,”
<http://info.detnews.com/redesign/history/story/historytemplate.cfm?id=105>

That young engineer was Henry Ford. And of course, his gas-powered motorcar changed Michigan and the world.

Fast forward from that first meeting in 1896 between Ford and Edison to 1929, when Detroit and America celebrated the 50th anniversary of Edison's incandescent light bulb. Thousands of Michigianians turned out to see the President of the United States and hundreds of dignitaries in a 30 mile long parade through Detroit to Dearborn. Across the nation, families turned their electric lights on, proud of this technological achievement and what it meant for the progress and prosperity of our nation.

Now we've come full circle, and as I noted at the beginning of my remarks, some think turning out the lights is a sign of progress. But to me, that's a reflection of the wrong attitude, one that says our best days are in the past. I believe our best days are yet to come.

In Michigan, I think we should be turning the lights on and making sure they stay on. That's why we need a sound, balanced energy policy that makes sure electric power is affordable and reliable – not just today but for years to come. That's how we boost growth and investment in Michigan. That's how we create more jobs in Michigan. That's what I call "Powering Michigan Forward." Thank you and God bless.